

Message Text

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51

ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 INRE-00 SSO-00 NSCE-00 USIE-00

CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 PRS-01 SP-02

AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-01

OMB-01 CEA-01 COME-00 XMB-02 FRB-03 AGR-05 IGA-01 L-02

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 7874

C O N F I D E N T I A L BRASILIA 1428

E. O. 11652: GDS

TAGS: EFIN, IDB, BR

SUBJECT: VENEZUELAN TRUST FUND AGREEMENT WITH IDB

REF: STATE 40656

1. SUMMARY: AMBASSADOR CALLED ON CENTRAL BANK PRESIDENT PAULO LIRA YESTERDAY (FEB 25) TO CONVEY US VIEWS ON PROPOSED VENEZUELAN TRUST FUND IN IDB. LIRA REPORTED VENEZUELAN FINANCE

MINISTER HURTADO AS HAVING TOLD BRAZILIAN OFFICIALS LAST WEEK THAT VENEZUELA STILL INTENDED TO MAKE A CONCESSIONAL CONTRIBUTION TO THE IDB BUT THAT THIS WOULD COME AT LATER DATE "AFTER A NUMBER OF INTERNAL PROBLEMS ARE STRAIGHTENED OUT." WHILE APPRECIATIVE OF US DIFFICULTIES WITH VENEZUELAN PROPOSAL, LIRA GAVE IMPRESSION THAT BRAZILIAN REPRESENTATIVE AT THURSDAY'S MEETING WOULD TAKE NEUTRAL POSITION IN ANY DIALOGUE WITH VENEZUELA ON THE IMPORTANCE OF CONCESSIONAL CONTRIBUTIONS. BRAZILIANS TO BE REPRESENTED AT MEETING BY THEIR IDB EXECUTIVE DIRECTOR BARBOSA. END SUMMARY.

2. THE AMBASSADOR, ACCOMPANIED BY THE FINANCIAL ATTACHE,
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CALLED ON CENTRAL BANK PRESIDENT PAULO LIRA (FEBRUARY 25)

TO PRESENT USG VIEWS ON VENEZUELAN TRUST FUND AGREEMENT WITH IDB. FOLLOWING THE GUIDANCE CONTAINED IN REFTTEL, THE AMBASSADOR STRESSED THE IMPLICATIONS OF VENEZUELA'S DECISION TO ESTABLISH THE \$500 MILLION TRUST FUND ON HARD TERMS (EIGHT PERCENT) FOR CONGRESSIONAL CONSIDERATION OF ADDITIONAL US CONCESSIONAL CONTRIBUTIONS TO THE BANK. THE AMBASSADOR NOTED THAT CURRENT PROPOSAL REPRESENTED A REVERSAL OF A PREVIOUS VENEZUELAN OFFER TO PUT UP \$100 MILLION OF THIS AMOUNT ON A CONCESSIONAL BASIS. HE TOLD LIRA THAT, WHILE US OBVIOUSLY WAS NOT OPPOSED TO THIS ADDITIONAL CONTRIBUTION TO THE IDB, OUR REPRESENTATIVE AT THE BOARD MEETING ON THURSDAY WOULD EMPHASIZE TO THE OTHER BOARD MEMBERS THE IMPLICATIONS THE ACCEPTANCE OF THIS PORPOSAL IS LIKELY TO HAVE THE AMBASSADOR URGED THAT BRAZIL HAVE A HIGH-LEVEL REPRESENTATIVE AT THURSDAY'S MEETING.

3. PAULO LIRA SAID THAT VENEZUELAN FINANCE MINISTER HURTADO, WHO VISITED BRASILIA LAST WEEK, HAD TOLD BRAZILIAN OFFICIALS THAT VENEZUELA HAD DECIDED TO LIMIT ITS CONTRIBUTION TO HARD MONEY AT THE PRESENT TIME BUT THAT SUCH A MOVE WOULD BE FOLLOWED AT SOME FUTURE DATE WITH A CONCESSIONAL LOAN. (THE FOREIGN MINISTER HAD ADVANCED THIS SAME INFORMATION TO THE AMBASSADOR ON FEB 6 WHEN THE LATTER RAISED THE MATTER BRIEFLY IN A MEETING ON OTHER MATTERS.) LIRA REPORTED HURTADO AS HAVING STATED THAT A CONCESSIONAL CONTRIBUTION TO THE IDB WOULD BE CONSIDERED "AFTER A NUMBER OF INTERNAL (VENEZUELAN) PROBLEMS ARE STRAIGHTENED OUT."

4. LIRA SAID THAT BRAZIL WOULD BE REPRESENTED AT THURSDAY'S MEETING BY ITS IDB EXECUTIVE DIRECTOR (BARBOSA).

5. COMMENT: ALTHOUGH LIRA SEEMED TO BE APPRECIATIVE OF THE CONGRESSIONAL IMPLICATIONS OF THE VENEZUELAN PROPOSAL, HE DID NOT INDICATE ANY READINESS ON THE PART OF BRAZIL TO CRITICIZE, IN ANY WAY, THE VENEZUELAN OFFER. IN FACT, AT ONE POINT, HE COMMENTED TO THE EFFECT THAT WHILE IT MAY BE HARD MONEY IT DOES, NEVERTHELESS, MEAN ADDITIONAL CONTRIBUTIONS TO THE BANK-- THE IMPLICATION BEING THAT IT REPRESENTS ADDITIONAL MONIES AVAILABLE TO BRAZIL. ALSO, IN DISCUSSING VENEZUELA'S INTENTIONS ABOUT FUTURE CONCESSIONAL CONTRIBUTIONS, LIRA SAID THAT THIS SHOULD BE CLARIFIED AT THURSDAY'S MEETING "PROBABLY AT

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YOUR REQUEST." WE SHOULD NOT, THEREFORE, EXPECT THE BRAZILIAN REPRESENTATIVE AT THURSDAY'S MEETING TO TAKE MORE THAN A NEUTRAL POSITION IN ANY DIALOGUE WITH VENEZUELA ABOUT THE IMPORTANCE OF IT MAKING A CONCESSIONAL CONTRIBUTION A PART OF THE CURRENT PACKAGE.
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